

**Royalty-in-Kind Pilot
For Natural Gas from Federal 8(g)
Leases Offshore of Texas in the Gulf of Mexico**

Future

- Monthly offerings of gas for competitive sale to pre-qualified bidders will continue.

Recent Developments

- **The volume of Federal royalty gas now marketed under a Cooperative Agreement with the State of Texas has reached about 75 million cubic feet per day.**

Background

- MMS has developed and is implementing a pilot program to take Gulf of Mexico Region (GOMR) natural gas royalties from federal leases in the 8(g) zone offshore Texas as a share of production, or royalty-in-kind (RIK). The objectives of this pilot program, developed in collaboration with the State of Texas General Land Office (TGLO), are to test the efficacy of the RIK concept for collecting royalties from Federal natural gas leases in the region. Click here to view details of [our objectives for the pilots](#). Additional 8(g) gas is transferred to the General Services Administration (GSA) to be sold to other Federal Agencies.
- Most of the 8(g) gas is sold in a program of monthly competitive sales on the open market, developed under a Cooperative Agreement (CA) with the TGLO. The goal of the CA is to mutually explore ways to cost-effectively market both Federal royalty gas from the 8(g) zone and State natural gas. MMS and TGLO have found over 20 companies pre-qualified to submit bids, under competition, on the Federal royalty gas, which is generally offered for a contract term of 30 days. Click here to view [pre-qualification documents](#) MMS requires prior to accepting bids.
- An additional 5 million cubic feet per day of royalty gas under this pilot is being transferred under an Interagency Agreement (IA) with the GSA to meet energy needs other Federal agencies. Analysis will be done of any revenue effects on MMS and any administrative costs and benefits of retaining this Federal asset for use within the government.
- MMS expects to continue these activities with other Federal agencies and the State of Texas for about another 1 to 2 years.
- In addition to this Texas 8(g) Pilot, MMS is operating two other RIK programs evolving from the recommendations in the MMS 1997 Feasibility Study. One is [the RIK Operational Project for crude oil from Federal leases in Wyoming](#), which began as the [Wyoming RIK Pilot](#). Another is [the Gulf of Mexico-wide offshore natural gas RIK pilot](#). [links]
- The following criteria have been established for evaluating the success of the RIK pilots:
 - Simplicity, accuracy, certainty for lessees and government;
 - Revenue neutral (or better) for government; and
 - Reduced administrative burden for lessees and government.

Revised 05/15/00